

## TERMINATION OF SERVICE

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## TERMINATION OF SERVICE

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### Termination of Employment – Ineligible for Retirement

Once employment or service is terminated prior to retirement eligibility, the member's participation in the TRS ceases. The member has three options at this time:

1. If the member is **vested (at least 10 years of service)** retirement contributions may be left in the system until age 60. The member may apply for service retirement to be effective the first of the month following attainment of age 60.
2. **With less than 10 years of service**, the member may leave contributions in the system for up to five years. If the member has not returned to employment as a participating member, the account will be terminated and contributions plus any refundable accrued interest will be payable to the member.
3. The member may withdraw all retirement contributions and refundable interest. **Member contributions are only refunded at the request of the member upon termination of employment and application for refund.**

An approved leave of absence does not constitute termination of employment.

The employee and employer must complete a FORM 7, NOTICE OF FINAL DEPOSIT AND REQUEST FOR REFUND with the employee's signature being notarized. Instructions for the completion of the refund form (FORM 7) and important information about Federal Income Tax are located on the reverse side of the form.

If the employer has "picked-up" (or never federally taxed) the employee's retirement contribution, those contributions and any refundable interest will be subject to Federal Income Tax. The taxable portion of the refund may also be subject to a 10% additional income tax (See reverse side of Form 7 for additional information.). No portion of the refund is subject to state of Alabama Income Tax.

The taxable portion of the employee's refund is subject to Federal Income Tax withholding at the rate of 20% unless the taxable amount of the refund is transferred directly (rolled-over) from the RSA to the trustee of an Individual Retirement Account, Annuity, or Qualified Retirement Plan. (See the reverse side of the FORM 7 for the eligible roll-over plan codes.)

If the employee elects to receive the refund directly, he or she will be refunded 80% of the taxable amount of the retirement contributions and refundable interest, if any. There will not be withholding on the previously taxed portion of the refund.

In January following the calendar year a taxable refund is made, a 1099R will be issued to the member who has directly received the refund, regardless of whether the individual rolled-over the refund to a qualified plan within 60 days of the date of withdrawal. The TRS is required to report 100% of the taxable portion of the refund to the Internal

Revenue Service as taxable income if the refund check was mailed directly to the member.

The taxable portion of the refund paid directly to the member may be subject to an additional income tax of 10% in the year of distribution unless certain requirements are met.

When withdrawing retirement contributions, the member is verifying that he or she does not have a contract and is not negotiating for employment with any agency covered by the RSA.

Upon withdrawal of retirement contributions (taking a refund), **all** service credit established in the TRS is cancelled. For vested members, the right to lifetime monthly retirement benefits at age 60 is forfeited.

The employee is **not** entitled to the total interest credited to the account. The following table lists any refundable interest to which the employee is entitled:

***Table of Refunds***

<b>Years of Membership Service</b>	<b>Amount of Interest Refunded</b>	<b>CONTRIBUTIONS Refunded</b>
Less than 3 years	NONE	All
3 – 15 years inclusive	50%	All
16 – 20 years inclusive	60%	All
21 – 25 years inclusive	70%	All
26 years	80%	All

## Deceased Before Retirement

If a member dies prior to retirement, death benefit payments are determined and paid based on the member's age, service credit, employment status, and eligibility for retirement. Preretirement death benefits for which the beneficiary or estate of a deceased member may be eligible are outlined below:

Member Age	Years of Service Credit	Preretirement Death Benefit
Under 60  <i>Or</i>  Over 60*	Between 1 & 25    Between 1 & 10	Return of member contributions and total earned interest plus death benefit equal to the salary on which the member made retirement contributions for the prior scholastic year (July 1 – June 30)
Any Age	Less than 1 year & death was job-related**	Return of member contributions and total earned interest plus death benefit equal to annual earnable compensation of member at time death occurs
Any Age	Less than 1 year & death was <b>not</b> job-related	Return of member contributions and total earned interest plus matching death benefit which is limited to a maximum of \$5,000
Any Age  <i>Or</i>  Over 60*	25 or more    10 or more	Choice of: (1) Option 3 monthly benefit (50% allowance) to spouse unless the member has designated another person as beneficiary <i>Or</i> (2) Return of member contributions and total earned interest plus death benefit equal to the salary on which the member made retirement contributions for the prior scholastic year (July 1 - June 30)

\*\* If death occurs more than 180 calendar days after the member's last day in a pay status or if the deceased had applied for a refund of contributions or terminated employment, the lump sum payment will be the same as for status of less than 1 year and not job-related.

### ***Payment of Benefit***

Payment of any preretirement death benefit is made to the designated beneficiary ***after*** the RSA-SB, APPLICATION FOR SURVIVOR BENEFIT is submitted to the TRS. If no individual has been designated as beneficiary and there is no spouse, the appropriate lump sum payment will be made to the member's estate.

### ***Term Life Insurance Benefits***

The beneficiary or estate of a deceased **active** member who dies within 90 days of being in an active pay status, will be eligible to receive up to \$15,000 in life insurance benefits. The life insurance benefits will be \$15,000 if the member was employed on a full-time basis or a pro rata share of the \$15,000 benefit if the member was employed less than full-time. i.e., the beneficiary of a member employed half-time would be entitled to a \$7,500 life insurance benefit.

### ***Completing the Application for Survivor Benefit form***

Payment to the beneficiary(ies) cannot be made until the TRS receives a completed RSA-SB form, a certified copy of the death certificate of the member and the member's final retirement contribution. If the death is the result of a homicide, additional information from the investigating law enforcement agency that confirms the beneficiary(ies) is not involved in or a suspect(s) in the death of the member will also be required.

Instructions to complete the RSA-SB, APPLICATION FOR SURVIVOR BENEFIT form, are on the reverse side of the form. The beneficiary(ies) should read the "Federal Income Tax Notice" to avoid any misunderstandings about the taxability of the preretirement death benefit.

#### ***Part 1***

The applicant should complete Part 1 of the form, attach a certified copy of the death certificate of the deceased and forward the documents to the agency that employed the deceased member. Only one death certificate is required.

#### ***Part 2***

An official of the employing agency must complete Part 2 of the RSA-SB form. It is very important to complete all portions of this section. It is especially important to indicate whether or not the member had terminated employment prior to death.

#### ***Part 3***

If the surviving spouse of the deceased member wishes to roll-over the taxable portion of the preretirement death benefit to a qualified plan, Part 3 on the reverse side of the form should be completed.

If the member **had** terminated employment or applied for a refund prior to death, the designated beneficiary is not eligible for a preretirement death benefit, but may be issued a matching death benefit payment. The matching death benefit will be equal to the member's accumulated contributions but cannot exceed \$5,000.

**Note:** A RSA-SB2, SURVIVING SPOUSE TAX INFORMATION DESIGNATION form, may be required if the surviving spouse submits an old version of the form RSA-SB, APPLICATION FOR SURVIVOR BENEFIT.

### ***Beneficiaries of Members Eligible for Retirement***

If the member was eligible for retirement at the time of his or her death, the designated beneficiary is eligible to choose either a lump sum death benefit payment or monthly survivor benefits. After the APPLICATION FOR SURVIVOR BENEFIT is submitted, the beneficiary will be provided a Benefit Election form that will specify both benefit amounts (amounts may be estimated).